

## **Glossary of Assessment Terms**

### **Abatement**

A reduction or elimination of a tax or charge imposed by a governmental unit, applicable to property tax bills, motor vehicle excise taxes, fees, charges, and special assessments. Property tax abatement applications must be filed by November 1<sup>st</sup> or 30 days after the mailing of the first half tax bill, whichever is later.

### **Ad Valorem**

A Latin phrase meaning according to value. By law, property taxes are assessed at full and fair cash value ([FFCV](#)) of real and personal property.

### **Arms Length Sale**

A transfer of property ownership between a willing seller not under compulsion to sell and a willing buyer not under compulsion to buy. The sale price is the amount of money that probably would be arrived at through fair negotiations taking into consideration the uses to which the property may be put and allowing a reasonable time for exposure to the market.

### **ASR (Assessment Sale Price Ratio)**

A ratio that expresses the relationship between the assessed value of a sold property and the sales price of the property.

### **Assessed Valuation**

A dollar value assigned to a real estate parcel or other property by a government unit as the basis for levying taxes. In Massachusetts, assessed valuation is based on the amount a willing buyer would pay a willing seller on the open market ([FFCV](#)). Assessors must collect, record, and analyze information about the physical characteristics of the property and the real estate market to estimate the FFCV of all taxable properties in their communities.

### **Assessment Date**

The date property tax liability is fixed. In Massachusetts, property taxes are assessed as of the January 1 prior to the fiscal year. Assessors determine the physical status of taxable real and personal property, its ownership, fair cash value and usage classification as of that date.

### **ATB (Appellate Tax Board)**

A board appointed by the governor which has extensive jurisdiction to decide appeals relating to a wide range of assessments including property taxes and [motor vehicle excises](#). The board can also decide appeals concerning state owned land (SOL) valuation, [exemption](#) eligibility, property classification, and [equalized valuations](#).

### **Betterments (Special Assessments)**

Whenever a limited area of a community receives benefit from a public improvement (e.g., water, sewer, sidewalk, etc.), special property taxes may be assessed to reimburse the government entity for all or part of the costs it incurred. Each parcel receiving benefit from the improvement is assessed for a proportionate share of the cost of such improvements. The proportionate share may be paid in full, or the property owner may request that assessors apportion the betterment over a period of up to 20 years. Each year an amount equal to one year's apportionment plus one year's committed interest (computed from October 1 to October 1) is added to the tax bill until the betterment has been paid.

### **Boat Excise**

An amount levied on boats and ships for the privilege of using the Commonwealth's waterways in lieu of a personal property tax. Assessed annually as of July 1, the excise is paid to the community where the boat or ship is usually moored or docked.

### **CAMA (Computer Assisted Mass Appraisal)**

An automated system available for municipalities to use for maintaining property data, valuing property, notifying owners, and ensuring tax equity through uniform valuations.

### **CIP (Commercial, Industrial, Personal property)**

A group of three property types used to describe the effect of multiple tax rates. A municipality can take a number of actions to shift the [levy](#) burden associated with a single tax rate from Open Space and Residential categories to the CIP categories.

### **Classification (Real Property)**

Assessors are required to classify all real property according to use into one of four classes: Residential, Open Space, Commercial, and Industrial.

Having classified its real property, local officials are permitted to determine locally, within limits established by statute and the Commissioner of Revenue ([DOR](#)), what percentage of the tax burden is to be borne by each class of real property and by personal property owners.

### **Cost Approach**

A method used to estimate the market value of an existing property by calculating the current cost to rebuild it and deducting depreciation - also called Replacement Cost New Less Depreciation ([RCNLD](#)). Land is valued separately and added to the depreciated replacement cost.

### **Data Collection (Appraisal)**

Process of inspecting real and personal property and recording its attributes, quality, and condition.

### **Debt Exclusion**

A vote by a municipality at an election that excludes [debt service](#) payments for a particular capital project from the [levy limit](#). The amount necessary to cover the annual debt service payment is added to the levy limit for the life of the debt only. A debt exclusion may temporarily increase the levy above the [levy ceiling](#) as defined by Proposition 2 1/2.

### **DLS (Division of Local Services)**

A division within the [DOR](#) (Department of Revenue) responsible for helping Massachusetts cities and towns achieve sound and efficient fiscal management through technical assistance, training, and oversight. DLS bureaus are responsible for ensuring the fairness and equity of local property taxation, the accuracy and quality of local accounting and treasury management, interpreting state laws that affect local governance, distributing local aid, maintaining a comprehensive databank on local finances, and auditing local school districts.

### **DOR (Department of Revenue)**

State department responsible of collecting a wide variety of taxes, providing taxpayer support, and administering programs related to municipal finance through the Division of Local Services ([DLS](#)).

### **EQV (Equalized Valuations)**

An estimate of the [FFCV](#) (Full and Fair Cash Value) of all property in the Commonwealth as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and for determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL Ch. 58 (General Provisions Relative to Taxation) § I OC, is responsible for determining an equalized valuation for each city and town in the Commonwealth biannually.

### **Estimated Receipts**

An estimate of state and local receipts (other than property taxes) that assessors deduct from the gross revenue required (amount to be raised) in order to arrive at the tax [levy](#). The estimate is usually based on the previous year's receipts.

### **Excess Levy Capacity**

The difference between the [levy limit](#) and the amount of real and personal property taxes actually levied in a given year. Annually, the board of selectmen or city council must be informed of excess levy capacity and their acknowledgment must be submitted to the [DOR](#) when setting the tax rate.

### **Exemption Date**

Date at which all qualifying factors for an [exemption](#) must be met. Exemption status is generally determined as of July 1.

### **Exemptions**

Approval of an application to the board of assessors, that fully or partially removes the obligation to pay property tax on particular categories of property or by persons in specified circumstances as established by statute. Examples include hospitals, schools, houses of worship, and cultural institutions. In addition, exemptions may be granted for qualified veterans, blind individuals, surviving spouses, and persons over 70 years of age.

### **Fiscal Year**

Since 1974, the Commonwealth and municipalities have operated on a budget cycle that begins July 1 and ends June 30. The designation of the fiscal year is that of the calendar year in which the fiscal year ends. For example, the 2013 fiscal year is July 1, 2012 to June 30, 2013 and is usually written as FY2013. Since 1976, the federal government has had a fiscal year that begins October 1 and ends September 30.

### **Full Measure and List**

A revaluation of real estate that includes visiting as many properties as possible to re-inspect the interior and re-measure the exterior of each structure.

### **Income Approach (Appraisal)**

A method of estimating the value of property by converting anticipated net income into an estimate of value. The income approach is used to value property that is normally bought and sold on the basis of its income producing capacity.

### **Land Schedule**

List of land values by neighborhood or area used by Assessors when applying the [cost approach](#) to estimate total property value.

### **Levy**

The amount a municipality raises each year through the property tax. The levy can be any amount up to the [levy limit](#) defined by Prop 2 ½. (MGL Ch. 59 - Assessment of Local Taxes)

§ 21C).

## **Levy Ceiling**

The maximum [levy](#) assessed on real and personal property may not exceed 2 1/2 percent of the total full and fair cash value of all taxable property (MGL Ch. 59 - Assessment of Local Taxes § 21C). Property taxes levied may exceed this limit only if the municipality passes a [capital exclusion](#), a [debt exclusion](#), or a [special exclusion](#).

## **Levy Limit**

The maximum amount a community can [levy](#) in a given year. In the absence of special voted exceptions, the levy limit must be at or below the [levy ceiling](#). The levy limit can exceed the levy ceiling only if the community passes a [capital expenditure exclusion](#), [debt exclusion](#), or [special exclusion](#).

The levy limit can grow each year by 2 1/2 percent of the prior year's levy limit plus [new growth](#) and any [overrides](#). (MGL Ch. 59 - Assessment of Local Taxes § 21C (f & g)).

## **Local Receipts**

Locally generated revenues, other than real and personal property taxes and [enterprise fund](#) revenues. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges. Annual estimates of local receipts are shown on the [tax rate recapitulation sheet](#).

## **Mass Appraisal**

Use of standardized procedures for collecting data and appraising property to ensure that all properties within a municipality are valued uniformly and equitably.

## **MVE (Motor Vehicle Excise)**

Excise tax assessed every motor vehicle and trailer registered in the Commonwealth unless expressly exempted. The MVE is imposed for the privilege of registering a motor vehicle and registering a motor vehicle automatically triggers the assessment of the excise.

## **New Growth**

A calculation of the net increase in municipal property values because of new construction/subdivision or return of exempt property to the tax roles. New growth can be added to a municipality's [levy limit](#) as defined by Proposition 2 1/2 and thereby increases taxing capacity.

New growth is calculated by multiplying all increases in value which are not the result of revaluation by the tax rate of the, previous fiscal year. For example, FY2013 new growth is determined by multiplying the value on January 1, 2012 by the FY2013 tax rate. Assessors must submit documentation of new growth to the BLA (Bureau of Local Assessment) annually before setting the tax rate. Documentation should be retained for five years to satisfy BLA audit requirements.

## **Overlay**

An account established annually to fund anticipated property tax [abatements](#), [exemptions](#) and uncollected taxes in that year. The overlay reserve is not established by the normal appropriation process, but raised on the [tax rate recapitulation sheet](#).

## **Override**

A vote by a community at an election that permanently increases the [levy limit](#). Unlike capital outlay expenditure exclusions or debt exclusions, an override vote can increase the

levy limit no higher than the [levy ceiling](#). The override ballot question must state a purpose for the override and a dollar amount.

## **Parcel**

A unit of real property used for the assessment of property taxes. A typical parcel consists of a plot of land (lot) defined by a deed and any buildings located there.

## **Payments in lieu of Taxes**

An agreement between a municipality and an entity not subject to taxation (such as a charitable or educational organization), in which the payer agrees to make a voluntary payment to the municipality. By law, a city or town must make such a payment to any other community in which it owns land used for public purposes.

## **Personal Property (Tax)**

Personal property consists of movable items not permanently affixed to, or part of real estate. The personal property tax is assessed separately from real estate to certain businesses, public utilities, and owners of homes not used as primary residences.

## **Property Class**

The assessors in each Massachusetts municipality must place property in one of the following classes.

- 0 - Multiple-Use      1 - Residential
- 2 - Open Space    3 - Commercial
- 4 - Industrial    5 - Personal Property
- 6 - Forest ([Chap 61](#))    7 - Agricult./Horticult. (Chap. 61A)
- 8 - Recreational (Chap 61B)    9 - Exempt Property

Within each class, property can be assigned to any of several **property types**. Each type is assigned a three digit type code consisting of the class number plus two digits that identify the specific type within a class. Property in classes 1-5 is a major consideration in the approval of tax rates.

## **Proposition 2 1/2**

State law enacted in 1980 that regulates local property tax administration. Major provisions of this legislation are located in MGL 59 - Assessment of Local Taxes § 21C and relate to the determination of a [levy limit](#) and [levy ceiling](#) for each town.

## **Real Property**

Land and buildings and the rights and benefits inherent in owning them such as the following:

- ~Right to use
- ~Right to sell
- ~Right to lease
- ~Right to enter it
- ~Right to give it away
- ~Right to refuse to exercise any of the above rights

## **RCNLD (Replacement Cost New Less Depreciation)**

Term that identifies a particular [cost approach](#) for developing the value of a structure.

## **Residential Factor**

A property tax option that can be used to change the percent of tax [levy](#) paid by owners of different property types. Specifics of the residential factor must be adopted by a community annually. A residential factor of "1" will result in the taxation of all property at the same rate (single tax rate). Choosing a factor of less than one results in increasing the share of the levy raised by Commercial, Industrial and Personal property ([CIP](#)) and reducing the share paid by Residential property owners.

## **Revaluation**

Also known as **recertification**. Process by which assessors of a community meet their responsibility for developing a reasonable and realistic program to achieve the fair cash valuation of property in accordance with constitutional and statutory requirements. The nature and extent of a revaluation program depends on the assessors' analysis and consideration of many factors, including, but not limited to, the status of the existing valuation system, the results of an in-depth sales ratio study, and the accuracy of existing property record information. Every three years, assessors must submit property values to the [DOR](#) for [certification](#). Assessors must also maintain current values in the years between certifications so that each taxpayer in the community pays a share of local government cost proportional to the value of their property.

## **Sales Comparison Approach**

A method of estimating the value of a subject property by examining verified data about similar properties that have recently sold or are offered for sale on the open market. The sales comparison approach includes adjusting for differences between the subject property and the similar properties being examined.

## **Tax Bills**

Semi-annual tax bills provide the option of paying property taxes in two payments. The bill for the first half payment is generally mailed on or before October 1<sup>st</sup> and is due November 1<sup>st</sup> or 30 days after the mailing date of the first half bill, whichever is later. The tax bill for the second half payment is mailed on or before April 1<sup>st</sup> and is due May 1<sup>st</sup>.

## **Tax Maps**

Maps used to determine the location of taxable property, show the size and shape of each parcel, and display the parcel's relation to features that affect value. Tax maps provide a complete inventory of land parcels and help minimize the problems of omitted parcels and duplicate listings.

## **Tax Rate**

Ratio of property tax divided by a unit of the associated municipal tax base. A tax rate can be expressed as \$6.53 per \$1,000 of assessed valuation for taxable real and personal property. The state approved local tax rate for a [property class](#) is the authorized [levy](#) for the class divided by the [certified](#) valuation. The [Tax Rate Recapitulation form](#) and supporting documentation contains proposed tax rates for a municipality and approval of this form means approval of the proposed tax rates.

## **Tax Rate Recapitulation Form**

A document submitted by a municipality to the [DOR](#) (Department of Revenue) in order to set a property tax rate. The recap sheet shows all estimated revenues and actual [appropriations](#) that affect the property tax rate. The recap sheet must be submitted to the DOR by September 1 to issue the first-half semiannual property tax bills before October 1.

## **Triennial Certification**

The Commissioner of Revenue ([DOR](#)) is required to review local assessments every three years and to certify that they represent [FFCV](#) (Full and Fair Cash Value). [MGL Ch. 40 - Powers and Duties of Cities and Towns § 56 and Ch. 59 - Assessment of Local Taxes § 2A(c)]. The [BLA](#) (Bureau of Local Assessment) is responsible for this process.

## **Valuation**

The method by which a dollar value is assigned to property. Massachusetts law requires that a community's property be assessed based on market or full and fair cash value ([FFCV](#)).